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COWBOY FACILITIES, INC.
Lake Charles, Louisiana

Annual Financial Report
June 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5-25-05



Founded in 1978

BROUSSARD & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

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CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cowboy Facilities, Inc.
Lake Charles, Louisiana

We have audited the accompanying statement of financial position of Cowboy Facilities, Inc., a nonprofit organization, as of June 30, 2004, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Cowboy Facilities, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cowboy Facilities, Inc., as of June 30, 2004, and the changes in its net assets and its cash flows for the fourteen months then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2004 on our consideration of Cowboy Facilities, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Broussard & Company

Lake Charles, Louisiana
August 16, 2004

COWBOY FACILITIES, INC.
Lake Charles, Louisiana
Statement of Financial Position
June 30, 2004

Assets	
Current Restricted Assets (Construction and Revenue Bonds)	
Cash and cash equivalents	\$ 1,097,752
Accrued interest receivable	18,409
	<hr/>
Total Restricted Assets	1,116,161
	<hr/>
Property, Plant and Equipment	
Building and improvements	18,460,771
Accumulated depreciation	(1,113,645)
	<hr/>
Total Property, Plant and Equipment	17,347,126
	<hr/>
Other Assets	
Investments- restricted for Revenue Bonds	1,415,612
Deferred financing costs	1,239,871
	<hr/>
Total Other Assets	2,655,483
	<hr/>
Total Assets	<u><u>\$ 21,118,770</u></u>
 Liabilities and Net Assets	
Liabilities	
Current Liabilities (payable from restricted assets)	
Current portion of revenue bonds payable	\$ 415,000
Due to McNeese	139,339
Accrued interest payable	177,662
Construction cost payable	107,609
	<hr/>
Total Current Liabilities (payable from restricted assets)	839,610
	<hr/>
Long-Term Liabilities	
Revenue bonds payable	20,812,411
	<hr/>
Total Long-Term Liabilities	20,812,411
	<hr/>
Total Liabilities	21,652,021
	<hr/>
Net Assets	
Unrestricted	(533,251)
	<hr/>
Total Net Assets	(533,251)
	<hr/>
Total Liabilities and Net assets	<u><u>\$ 21,118,770</u></u>

The accompanying notes are an integral part of this statement

COWBOY FACILITIES, INC.
Lake Charles, Louisiana
Statement of Activities
For The Year Ended June 30, 2004

Unrestricted Net Assets:

Revenues and Other Support:

Rental income	\$ 2,299,614
Interest income	98,537
Contributions	130,000

Total Unrestricted Revenues and Other Support	2,528,151
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Expenses:

Management expense	1,118,635
General administration	10,575
Depreciation expense	708,988
Amortization expense	43,890
Interest expense	1,082,786

Total Operating Expenses	2,964,874
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Increase in Unrestricted Net Assets	(436,723)
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Net Assets - Beginning of Period	(96,528)
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Net Assets - End of Period	\$ (533,251)
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COWBOY FACILITIES, INC.
Lake Charles, Louisiana
Statement of Cash Flows
For The Year Ended June 30, 2004

Cash Flows from Operating Activities:	
Change in Net Assets	\$ (436,723)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation and amortization expense	752,878
(Decrease) in construction cost payable	(27,467)
Increase in Due to McNeese	139,339
Total Adjustments	864,750
Net Cash Provided by Operating Activities	428,027
Cash Flows from Investing Activities:	
Acquisition of Fixed Assets	(792,040)
Net Cash (Used) in Investing Activities	(792,040)
Cash Flows from Financing Activities:	
Bond proceeds	820,000
Principal payments on bonds	(325,000)
Bond issue costs	(22,864)
Amortization of bond discount	14,310
Net Cash Provided by Financing Activities	486,446
Net Increase in Cash and Cash Equivalents	122,433
Cash and Cash Equivalents - Beginning of Period	975,319
Cash and Cash Equivalents - End of Period	\$ 1,097,752

The accompanying notes are an integral part of this statement

COWBOY FACILITIES, INC.
Lake Charles, Louisiana
Notes to Financial Statements
June 30, 2004

Note 1 -Summary of Significant Accounting Policies

The financial statements of Cowboy Facilities, Inc. (the Corporation) have been prepared on the accrual basis. The significant accounting policies that follow are provided to enhance the usefulness of the financial statements to the reader.

Organization

Cowboy Facilities, Inc. is a Louisiana nonprofit corporation created exclusively to promote, assist, and benefit the educational, scientific, research, and public service mission of McNeese State University by engaging in any lawful activity in which a nonprofit corporation meeting the requirements of Section 501 (c)(3) of the Internal Revenue Code may participate. The Corporation has not applied for a determination letter from the Internal Revenue Service regarding its status as a 501 (c)(3) corporation.

The business affairs of the Corporation are administered by a five member Board of Directors, who also comprise the entire membership of the Corporation. The Board of Directors serve without compensation.

In accordance with its Articles of Incorporation, the Corporation may specifically engage in acquiring, constructing, developing, managing, leasing, mortgaging or conveying student housing and other facilities on the campus of the University.

The entity is a component unit of McNeese State University. A component unit is defined as a legally separate organization for which the primary government (McNeese State University) is financially accountable. The criteria used in determining whether financial accountability exists include the appointment of a voting majority of an organization's governing board, the ability of the primary government to impose its will on that organization or whether there is a potential for the organization to provide specific financial benefits or burdens to the primary government. Fiscal dependency may also play a part in determining financial accountability.

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with generally accepted accounting principles.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COWBOY FACILITIES, INC.
Lake Charles, Louisiana
Notes to Financial Statements
June 30, 2004

Note 1 -Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment is stated at cost. It is the Organization's policy to capitalize expenditures for these items in excess of \$500. Depreciation of property and equipment is computed principally by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	30
Furniture, fixtures and equipment	10

Financial Statement Preparation

The Corporation has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Corporation is required to present a statement of cash flows.

Contributions

The Corporation has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Deferred Financing Costs

The cost of issuing revenue bonds is deferred and amortized over the life of the bonds as a financing expense. In the event all remaining bonds outstanding under a particular issue are retired, the unamortized balance is recognized as a component of the loss from the early extinguishment of debt.

Bond Discounts

Original issue discounts realized upon issuance of bonds are deferred and presented as a reduction of the face amount of bonds payable on the balance sheet. The deferred amount is amortized over the life of the bonds as a component of interest expense. In the event all remaining bonds outstanding under a particular issue are retired, the unamortized balance is recognized as a component of the loss from the early extinguishment of debt.

Investments

Investments are stated at cost which approximates fair value and consist of guaranteed investment contracts.

COWBOY FACILITIES, INC.
Lake Charles, Louisiana
Notes to Financial Statements
June 30, 2004

Note 2 - Facilities Lease Agreement

As of May, 2001, the Corporation entered into an agreement with the Board of Trustees on behalf of McNeese State University to lease to the Board the Facilities of the Corporation effective as of the date of completion of the construction. The Board agrees to pay the Base Rental semiannually, on each April 15 and October 15 during the term of the lease in an amount equal to the interest and principal due on the Revenue Bonds on the following May or November 1, as the case may be. In addition to the Base Rental, the Board agrees to pay as Additional Rental any and all expenses incurred by the Corporation, on behalf of the Board or University in the management, operation, ownership, and/or maintenance of the Facilities.

As of January, 2004, the Corporation entered into an agreement with the Board of Trustees on behalf of McNeese State University to lease to the Board the Facilities (Parking Improvements). The Board agrees to pay the Rental semiannually, on each June 15 and December 15 during the term of the lease in an amount equal to the interest and principal due on the Series 2004 Bonds on the following July 1 or January 1, as the case may be. Also, annually on December 15 in each year commencing December 15, 2004, an amount equal to \$11,217 shall be deposited in the Maintenance Reserve Fund. In addition to the Rental, the Board agrees to pay any and all expenses incurred by the Corporation, on behalf of the Board or University in the maintenance, operation, ownership, and/or maintenance of the Facilities.

Note 3 - Long-Term Debt

On May 31, 2001, Cowboy Facilities, Inc. entered into a loan agreement with the Calcasieu Parish Public Trust Authority to obtain financing of the construction of student housing facilities on the campus of McNeese State University. Financing of the project is through the issuance of \$21,120,000 University Student Lease Revenue Bonds, Series 2001. The Bonds have yearly fixed rate of interest at an average yield of 5.399% and are due in varying installments through 2033. Proceeds from the Bond issuance are used to pay the costs of the project; fund a deposit to the reserve funds; to pay capitalized interest on the Bonds; and to pay costs of issuance of the Bonds.

On February 1, 2004, the Cowboy Facilities, Inc. entered into a loan agreement with the Calcasieu Parish Trust Authority to obtain financing of the construction of public parking facilities at the Doland Athletic Complex. Financing of the project is through the issuance of \$820,000 University Revenue Bonds, Series 2004. The Bonds have yearly fixed rate of interest at 4.73% and are due in varying installments through 2014.

Scheduled sinking fund requirement on the long-term debt are as follows:

2005	\$ 415,000
2006	430,000
2007	445,000
2008	460,000
2009	485,000
Thereafter	<u>19,380,000</u>
Total long-term debt	<u>\$21,615,000</u>

COWBOY FACILITIES, INC.
Lake Charles, Louisiana
Notes to Financial Statements
June 30, 2004

Note 3 – Long-Term Debt (continued)

Scheduled annual debt service:

Year	Principal	Interest
2005	\$ 415,000	\$ 1,088,104
2006	430,000	1,077,308
2007	445,000	1,060,136
2008	460,000	1,041,789
2009	485,000	1,022,457
2010-2014	2,750,000	4,776,134
2015-2019	2,930,000	4,076,044
2020-2024	3,805,000	3,217,200
2025-2029	4,925,000	2,107,088
2030-2032	<u>4,970,000</u>	<u>669,638</u>
	<u>\$21,615,000</u>	<u>\$20,135,898</u>

Series 2001 Revenue Bonds (net of discount) \$20,407,411

Series 2004 Revenue Bonds \$ 820,000

Note 4 – Capitalization of Interest

FAS-34 (Capitalization of Interest Costs) requires that interest expenditures incurred during construction of assets be capitalized. FAS-62 (Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants) concludes that constructed assets financed with the proceeds of tax-exempt debt (if those funds are externally restricted to finance the acquisitions of the asset or used to service the related debt) should include capitalized interest only to the extent that interest cost exceeds interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowing. Net interest costs capitalized totaled \$11,610 during 2004.

Note 5 - Cash, Cash Equivalents, and Investments

In accordance with GASB Codification Section I50.126, the investment in Guaranteed Investment Contracts and cash equivalent money market accounts is not categorized in the three risk categories provided by GASB Codification Section I50.125 because the investment and/or cash equivalent is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PREPARED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Cowboy Facilities, Inc.
Lake Charles, Louisiana

We have audited the financial statements of Cowboy Facilities, Inc., a nonprofit organization, as of and for the year ended June 30, 2004, and have issued our report thereon dated August 16, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Cowboy Facilities, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cowboy Facilities, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Board of Directors
Cowboy Facilities, Inc.

This report is intended solely for the information and use of management, the Louisiana Legislative Auditor and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Broussard & Company

Lake Charles, Louisiana
August 16, 2004

COWBOY FACILITIES, INC.
Lake Charles, Louisiana
Schedule of Findings
June 30, 2004

Financial Statement Items

1. Unqualified opinion on the financial statements.
2. Reportable condition in internal control – Refer to B-1.

B.

1. *Instances of noncompliance* – None.

C. GAGAS Findings

1. None.

D. Prior Audit Findings

1. None